

THE CO-OPERATIVE JOURNAL OF OPERATOR

VICTORIA'S
CO-OPERATIVE AFFAIRS
JOURNAL OF

- INTEGRATION WORKS
- MACC SPECIAL EDITION
- THE HITCHHIKER'S GUIDE TO CHILD MOLESTING



No 13 SEPTEMBER 1986

Beyond the Rainbow: The Economic Potential of Co-operatives

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RAINBOWS AND RHETORIC characterize the MACC Report. Our contributors pep up the debate by presenting an ideological view of co-operation and an analysis of its potential role in Australia.

In assessing the potential to develop co-operatives, a number of commonsense lessons have already been learned from Victoria's Co-operative Development Program (CDP) at the former Ministry of Employment and Training, and from the more extensive and ongoing program in NSW.

- a. It is easy legally to convert a company into a co-operative but it is hard to develop co-operative philosophy, principles and practice beyond the sentiment of co-operating together to maintain and create jobs.
- b. Actual or potential economic viability is the prerequisite for converting a company into a co-operative. Workers should not be persuaded to invest their savings and superannuation funds in economically failing enterprises — enterprises that will fail as co-operatives rather than companies.
- c. The co-operative sectors are different. The differences are reflected and reinforced in co-operative philosophy, principles and practice. The traditional co-operative movement in Australia has a limited experience of worker co-operatives and, therefore, cannot be relied upon to understand their specific structural and developmental requirements.
- d. The development of co-operatives depends on co-operative intermediary organisations such as the Worker Co-operative Development Agency in NSW, whose role is to articulate and defend co-operative philosophy, principles and practice. Small business agencies do not recognise or accept the differences between co-operatives and companies. Counselling and assistance provided by these agencies is likely to be inappropriate — unsympathetic to co-operation and democracy.
- e. Co-operatives should adopt a policy

of unionization. Unless co-operatives are fully unionized, they are likely to continue or develop anti-union policies and practices such as under-award wages and working conditions, subcontracting and privatization of existing public sector activities.

f. Ownership and control in co-operatives and companies are qualitatively different. Converting a company into a co-operative will not succeed unless the workers understand their different role as owners-managers.

Before these lessons are applied, what remains to be developed is an economic

For conservatives the only way of organizing society is through the private accumulation of wealth. As the experience of actual socialism has been far from conclusive, progressive policies have tended to accept that the private accumulation of wealth is the basic determinant of the state of the economy.

The economic policies developed by Keynes, adopted by western governments after World War II, were designed to provide a counter force to the depressions in economic activity when the private accumulation and investment process broke down. The problems facing Australia today are now far more severe and complex. The deregulation of financial markets and the floating of the dollar have coincided with a fall in the price of Australia's exports. This has made Australia's economic position vulnerable and our future uncertain.

Speculation has driven the dollar down, but the expected improvement in the balance of payments from cheaper exports and dearer imports has not yet occurred. Investment in machinery and equipment has grown at a much slower rate (an average of 2%pa in the last 15 years compared to 6%pa in the 1960s) and Australia does not have the physical capacity to produce goods as an alternative to imports. Generally, Australian manufacturing industry lacks



analysis - an integrated analysis of the economic issues confronting the Australian economy and society such as currency speculation, low and variable levels of investment, continuing high levels of unemployment, the under-utilization of the innovative potential of employed and unemployed workers and the ideological and organizational offensive against trade unions.

The prerequisite for analysing these issues is a clear ideological view of co-operative development in the context of a socialist critique of the Australian economy and society.

a. a history of research and development innovation

b. a culture of change

c. ideas and management skills.

In this bleak economic scenario, what do co-operatives have to offer? Co-operatives offer the potential to develop a business sector predicated on different assumptions, values and behavior that challenge the private accumulation of wealth.

Overseas experience indicates how this potential is being realized. In Italy and the Basque provinces of Spain co-

operatives have continued to demonstrate the relevance of co-operation to the international economic crisis. Co-operatives have retained their commitment to employment and economic growth. The co-operative movements in these countries have not followed the degenerative process that has characterized the traditional co-operatives in Britain, the USA and Australia:

- a. An increasing emphasis on production and trading and a de-emphasis on education and democracy
- b. Reinforcing the control of experienced and qualified managers and directors and preventing their accountability to members who remain inexperienced and unqualified.
- c. Collapsing the structural and practical differences between co-operative and private enterprise.

But the arguments for co-operatives must be based on what is possible in Australia and not what has been achieved overseas. The MACC Report makes it quite clear there is a long way to go before Victoria's co-operative movement parallels that in Spain, France and Italy. While its views are unsubstantiated, the MACC Report does argue that it is possible to develop this potential in Victoria.

NSW and Victoria have small worker co-operative sectors which combine innovation and business skills with a practice of democratic management and respect for workers' rights. They are a powerful counter to the prevailing view that entrepreneurialism requires a denial of those rights. These co-operatives are demonstrating that the co-operative structure is an ideal organizational form for encouraging the open, flexible and democratic environment which fosters creativity. These co-operatives are extending democracy into the workplace and contributing to the revitalization of democratic ideals and practices. Worker co-operatives are viable alternatives to factory or business closure, unemployment and self-employment.

Co-operative financing institutions in Italy, France and Spain are generating funds for investment in co-operatives. This potential remains to be developed in Australia. The MACC Report identified its crucial significance. Without co-operative specific financing institutions, the potential for developing co-operatives will not be realized in Victoria.

Co-operatives also provide the possibility for the development of more constructive international economic transactions. There is a potential for developing trading links with the co-operative movements in Italy and Spain. The co-operative movements in both countries export goods and services overseas, participate in joint ventures with overseas companies and governments and have established overseas branch offices.

The real potential of co-operatives is to

facilitate the development and direction of economic policies. Co-operatives are an alternative economic basis for organizing and reorganizing work and workplaces in the small business sector.



Co-operatives are a uniquely democratic form of business.

In advocating this potential for co-operatives, we also believe that

- a. co-operativization of large private enterprises is inappropriate and
- b. it is not tenable that public sector agencies and activities are co-operativized. Industrial democracy needs to be developed in the private and public sectors but co-operatives are only a part of this democratization process.

We are opposed to co-operative development being based on an implicit and/or explicit attack on trade unions and workplace conditions - offsetting the negative impacts of restructuring, reducing resistance to change, extending privatization and complementing economic policies which are predicated on the private accumulation of wealth. Co-operatives, then, have the potential to extend social justice principles and practices into the economy.

Whether co-operatives achieve their potential in Australia is problematic. What is certain is that justifying co-operative development on the basis of political ambiguity or sentimental appeal will deny co-operatives any chance to grasp that opportunity.

A strategy for a co-operative development that aims to democratize the economy must have the support of trade unions. This depends on a shared ideological and organizational compatibility between co-operatives and trade unions. This will necessitate the unionization of co-operatives and agreement that unions still have a role, albeit different, in co-operatives and that industrial harmony is not created and perpetuated in the co-operative form. There will continue to be conflicting interests. In Italy the different but real role of unions is accepted by the union and co-operative movements.

In Australia's current economic and industrial climate, it is difficult to expect unions to be interested in the development of co-operatives -

particularly when the traditional co-operative movement has distanced itself from the labor movement and the role of unions is being increasingly challenged and undermined. The development of co-operatives is hardly the panacea to such editorial demands as "either these men accept redeployment or redundancy. . . Times change, even unions must recognise that. . . There's now no point in cuddling up to union leaders, massaging egos and abandoning reality for the sake of industrial peace" (editorial: "Great work if you can get it", the *Herald*, 14 August 1986, p6).

In Summary, union support for co-operatives must be predicated on the potential of co-operatives to assist the union movement in addressing economic problems and ideological challenges to its role - how to increase and maintain employment; promote the democratization of work and development of better work practices; influence investment decisions and provide alternatives to small business and non-award sub-contracting.

There is little value in co-operative development by rhetoric and definition. Co-operative development cannot be justified by mere reference to success elsewhere - in Italy, the Basque provinces of Spain or France. These experiences have to be analysed to be learned and in the absence of this analysis we have more rhetoric - brief description and suggestive optimism.

Our willingness to learn and apply the lessons of co-operative development will determine whether co-operatives can work for Australia. Ideological commitment, strategic analysis and long-term organization are the only way that the rhetoric of co-operation will become a reality - ask those who work for co-operatives rather than talk up co-operation.

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